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## INNOVATIONS IN TAXATION

# WORKING WITH ACADEMIA TO IMPROVE TAXPAYER SERVICES IN EL SALVADOR

By Arturo Jacobs, International Tax Advisor, February 2009

El Salvador's tax administration (Dirección General de Ingresos Internos - DGII) had been experiencing severe budget shortfalls. This made it difficult to fund the staff necessary to fully accomplish many of its program objectives for several years in a row. This situation is quite common with tax administrations in emerging market economies. Particularly hard hit was the taxpayer service program. On "peak days" (due-dates of tax declarations; tax payments), taxpayer queues in Taxpayer Service facilities throughout the country were extremely long. On-site, line managers had to continually divert audit and other taxpayer compliance staff from their regular work to provide service to taxpayers. Consequently the audit and other taxpayer compliance programs, persistently understaffed already, were further adversely affected, year after year.

Starting in 2003, the DGII began to draw upon the universities to supplement its meager staffing. *To graduate, university students in El Salvador are required to spend one year of public service.* The DGII, in collaboration with academia, recruited 300 students in 2003 and 500 in 2005. The students were assigned to support the various program functions, particularly the Taxpayer Service program. Students were also assigned as aides to the technical staff of the Audit and Taxpayer Non-Filer programs.

By recruiting mostly seniors majoring in economics, accounting, law and related fields, the DGII not only recruited students more likely to be familiar with the DGII's work but also university students who could become good prospects for permanent employment.

The students trained for 3 days on tax law; on the functional program tasks they would perform; and on some task techniques such as verification of records regarding taxpayers' compliance. Whether 3 days of training were sufficient was an issue debated periodically (it probably was not, according to some students).

The support of DGII permanent staff by students has been fortunate. The cost to the DGII (government) was only \$8 per diem per day for each student. The cost/benefit ratios in programs of Taxpayer Service, Audit and Taxpayer Non-Filers were reportedly analyzed frequently and proved very favorable always. Therefore, Plans were made to recruit 700+ students in 2006 and beyond.

Budget shortfalls are a way of life, particularly in developing countries. Collaboration of tax administrators with academia to have students spend a year in public service as a prerequisite for graduation is a "win-win" strategy for the universities, the students, the tax administrations, and taxpayers as well. The program helps students get temporary employment and real-life exposure to their respective academic studies; the students gain temporary employment and get practical work experience; the tax administrations get much needed staffing support; the countries get some public service from thousands of students; and taxpayers get improved service.

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